# GOVERNMENT OF INDIA
# CORPORATE AFFAIRS
# LOK SABHA

UNSTARRED QUESTION NO:1234
ANSWERED ON:18.07.2014
CORPORATE FRAUDS
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**Will the Minister of CORPORATE AFFAIRS be pleased to state:**

(a) whether the cases of fraud of vanishing companies have come to the notice of the Government during each of the last three years and the current year and if so, the details thereof along with the number of investors cheated by such companies and the amount involved therein during the said period, State/ UT-wise;

(b) whether the Government has formulated/ proposes to formulate guidelines to save investors from such frauds and if so, the details thereof;

(c) whether the Government has any proposal to amend the company laws in this regard and if so, the details thereof;

(d) whether the Government has received suggestions/ sought views of the professionals, financial institutions, banking sector, CII etc. in this regard and if so, the details thereof;

(e) whether the Government has constituted/ proposes to constitute any Committee to look into the issue of such corporate frauds and if so, the details thereof along with the time by which the Committee is likely to submit its report; and

(f) the other steps taken/ being taken by the Government to protect the investors from such corporate frauds?

## Answer

THE MINISTER OF CORPORATE AFFAIRS (SHRI ARUN JAITLEY)

(a) 238 companies were identified as 'Vanishing Companies'. They had raised funds through Public issues and had stopped filing financial statements and annual returns with the concerned regulators. Of these, 128 companies were removed from this category and placed under a 'Watch List', as they had started filing their financial statements and annual returns. In addition, 32 companies are presently under liquidation. As on date, there are 78 companies that continue to be classified as 'vanishing companies'. The total amount of Public Issues made by these 78 companies comes to approximately Rs 310.21 crores.

(b) to (d) Companies Act, 2013 contains various provisions to protect investors. Views of all stakeholders including professionals, financial institutions, banking sector, CII etc. were invited and taken into consideration before enactment of the Companies Act, 2013. The provisions for protection of investors, as under the Companies Act, 2013, inter alia, include:

i) Enhanced disclosure norms so that investors get all relevant information from companies;

ii) "Fraud" defined for the first time as a substantive offence, and cover many dubious activities which were not specifically covered under the Companies Act, 1956;

iii) Serious Fraud Investigation Office (SFIO) has been granted statutory status with adequate powers.

iv) Provisions for attachment and disgorgement of assets.

v) Auditors' accountability and independence enhanced through provisions which inter alia include rotation of auditors, etc. This would improve objectivity of audit and provide better insights to the investors;

(e) A Market Research and Analysis Unit (MRAU) has been set up in the Serious Fraud Investigation Office (SFIO) with the objectives of analyzing media reports relating to financial frauds and for conducting market surveillance of such corporates. In order to strengthen MRAU's functioning, an Expert Committee was constituted and on the basis of its recommendations a forensic lab with appropriate technology and skilled technical manpower has been set up in SFIO.

(f) The Ministry organizes investor awareness programmes regularly in association with the three professional institutes − Institute of Chartered Accountants of India (ICAI), Institute of Cost Accountants of India (ICAI) and Institute of Company Secretaries of India (ICSI) in various cities under the aegis of Investor Education and Protection Fund (IEPF). The programmes are held for creating awareness and empowerment amongst investors. Since 2012-13, MCA has also started organizing such programmes in rural areas through C S C e-Governance Services India Ltd., an entity under Department of Electronics and Information Technology. 2897 such programmes were organised during the year 2013-14, under the IEPF.